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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/873,864	06/04/2001	Rosalind Herman	NERK-001	4666

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EXAMINER

PORTER, RACHEL L

ART UNIT	PAPER NUMBER
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3626

DATE MAILED: 12/30/2003

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary

Application No.

09/873,864

Applicant(s)

HERMAN ET AL.

Examiner

Rachel L. Porter

Art Unit

3626

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133).
- Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 04 June 2001.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-29 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1-29 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☒ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
- Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
- Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. §§ 119 and 120

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
- ☐ Certified copies of the priority documents have been received.
 - ☐ Certified copies of the priority documents have been received in Application No. _____.
 - ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).
- * See the attached detailed Office action for a list of the certified copies not received.
- 13) ☒ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. § 119(e) (to a provisional application) since a specific reference was included in the first sentence of the specification or in an Application Data Sheet. 37 CFR 1.78.
- a) ☐ The translation of the foreign language provisional application has been received.
- 14) ☐ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. §§ 120 and/or 121 since a specific reference was included in the first sentence of the specification or in an Application Data Sheet. 37 CFR 1.78.

Attachment(s)

- 1) ☒ Notice of References Cited (PTO-892)
- 2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
- 3) ☒ Information Disclosure Statement(s) (PTO-1449) Paper No(s) 2.
- 4) ☐ Interview Summary (PTO-413) Paper No(s). _____
- 5) ☐ Notice of Informal Patent Application (PTO-152)
- 6) ☐ Other: _____

DETAILED ACTION

Notice to Applicant

1. This communication is in response to the application filed 6/4/01. The IDS filed 2/19/02 has been entered and considered. Claims 1-29 are pending.

Specification

2. The disclosure is objected to because of the inclusion of an appendix.

The appendix (appendices) is/are objected to because of the following:

The appendix, in its present format, does not meet standard specification requirements; therefore, it should be adapted to meet specification guidelines or removed completely from the specification. Please refer to 37 C.F.R. 1.58(a), 37 C.F.R. 1.52(a), and 37 C.F.R. 1.96 for further guidance.

The labeling of numerous sections of the specification, as "appendix" does not correspond to the accepted use of the term as set forth by 37 C.F.R. 1.96. 37 C.F.R. 1.96 provides for the inclusion of a computer program listing or gene sequence listing in the specification as an "appendix". No other rule specifically provides for the inclusion of an appendix in the specification for any other purpose. Use of the label "Appendix" for materials other than computer or gene sequence listings causes confusion and may lead to an erroneous publication of said materials.

In particular, the narrative material presented in the section entitled "Appendix" contains subject matter other than computer program/gene sequence listings, and it is required that such material be included in the specification pursuant to 37 CFR 1.52(a). The subject matter in the "Appendix" section, which Applicant regards as essential, should be formally included in the "Detailed Description of the Invention" section. However, if the information in the appendix is to be used as background information, Applicant should consider submitting the material as prior art or incorporating the material by reference in the "Background of the Invention" section of the application. In addition, all references to an "Appendix" within the specification should be either deleted or appropriately corrected.

Appropriate correction is required.

Claim Rejections - 35 USC § 101

3. 35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Claims 1-19 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter.

The basis of this rejection is set forth in a two-prong test of:

- (1) whether the invention is within the technological arts; and
- (2) whether the invention produces a useful, concrete, and tangible result.

For a claimed invention to be statutory, the claimed invention must be within the technological arts. Mere ideas in the abstract (i.e., abstract idea, law of nature, natural phenomena) that do not apply, involve, use, or advance the technological arts fail to promote the "progress of science and the useful arts" (i.e., the physical sciences as opposed to social sciences, for example) and therefore are found to be non-statutory subject matter. For a process claim to pass muster, the recited process must somehow apply, involve, use, or advance the technological arts.

In the present case, exemplary claims 1 and 15 only recite an abstract idea. The recited steps of merely obtaining an insurance policy and paying or repaying premium payments for the policy do not apply, involve, use, or advance the technological arts since all of the recited steps can be performed in the mind of the user or by use of a pencil and paper. These steps only constitute an idea of how to obtain and fund an insurance policy to generate revenue.

Under the guidance of recent case law, the requirements of 35 U.S.C. 101 are met when “the practical application of the abstract idea produces a useful, concrete, and tangible result” (*State Street Bank & Trust Co. vs. Signature Financial Group, Inc.*, 47 USPQ2d 1596, 1601-02 (Fed. Cir. 1998)). In the present case, the claimed invention is useful and tangible as a method of securing revenue through investment from the obtained insurance policy (-ies).

However, the claims, as presently recited, do not appear to have a concrete result. In particular, it is unclear whether the claimed method as recited in claims 1-14 and 15-19 are repeatable and predictable (and thus, concrete). It appears that the decisions regarding premium loans (i.e. premium financing) and the selection of the investment vehicles are based on subjective decision-making factors, and not a function of the claimed invention. As such, the results of the claimed invention and ability to generate sufficient revenue to produce the necessary cash flow (e.g. for loan repayment and funding the program) are unpredictable, and would require undue experimentation.

Although the recited process may produce a useful and tangible result, since the claimed invention, as a whole, is not within the technological arts as explained above, and since the results of the claimed methods are not predictable/repeatable, claims 1 and 15 are deemed to be directed to non-statutory subject matter.

Claims 2-14 and 16-19 are dependent from claims 1 and 15, respectively. These claims therefore inherit the deficiencies of their respective independent claims through dependency, and are also rejected.

Claim Rejections - 35 USC § 112

4. The following is a quotation of the first paragraph of 35 U.S.C. 112:

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same and shall set forth the best mode contemplated by the inventor of carrying out his invention.

5. Claims 1-19 are rejected under 35 U.S.C. 112, first paragraph, as failing to comply with the enablement requirement. The claim(s) contains subject matter which was not described in the specification in such a way as to enable one skilled in the art to which it pertains, or with which it is most nearly connected, to make and/or use the invention.

It appears that the funding of the program in claims 1 and 15 is subject only to human interaction. Decisions regarding premium loans (i.e. premium financing) and the selection of the investment vehicles are based on subjective decision-making factors, and not a function of the claimed invention. In particular, the claimed method does not provide any objective guidelines (e.g. specific models, algorithms, the presence or absence of specific risk factors) or other thresholds that are used to determine which investment instruments are selected or how the loan decisions are made.

Without such objective factors, it is unclear whether the claimed method would yield consistent and repeatable results. The results of the claimed invention and the ability to generate sufficient revenue to produce the necessary cash flow (e.g. for loan repayment and funding the program) are unpredictable, and would require undue experimentation.

Claim Rejections - 35 USC § 103

6. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

7. Claims 1-29 rejected under 35 U.S.C. 103(a) as being unpatentable over Ross (US 5974390) in view of Holmwood ("An Innovative Alternative for Funding Life Insurance Programs") and Official Notice.

As per claims 1-15, Ross teaches a method for providing a continuous stream for income from insurance policies purchased for a pool of individuals. The method comprises insuring a block of individuals (col. 3, lines 32-40; col. 8, lines 40-43); investing the premiums for the policies in an investment vehicle (col. 6, lines 5-13); paying death benefits on deceased individuals from the pool (col. 9, lines 15-17); guaranteeing a mortality rate (col. 3, lines 44-58); and paying a minimum regular cash flow for a program (col. 8, lines 8-16). Ross does not specifically disclose that a lender provides the money for the premiums and that the policy purchaser collaterally assigns the policy proceeds to the lender until the loan is repaid. Holmwood teaches the use of premium financing strategies to pay for life insurance policies. (page 1, paragraph 2). Holmwood further discloses that in these scenarios, the lender accepts the insurance policy as collateral for the loan (i.e. policy purchaser collaterally assigns the policy proceeds to the lender until the policy is repaid.) At the time of the Applicant's invention, it would have been obvious to one of ordinary skill in the art to modify the method of

Ross with the teaching of Holmwood to allow policy purchaser to borrow the premium amount from a lender. One would have been motivated to include these features to make the method more marketable by not requiring the insured to compromise assets and cash flow to pay for the premiums, as suggested by Holmwood. (Holmwood, par. 2).

Ross further does not teach the use of a reinsurer to insure the cash flow amount. However, the use of reinsurers to back insurers is old and well known in the art. At the time of the applicant's invention, it would have been obvious to one of ordinary skill in the art to modify the teachings of Ross and Holmwood to include a reinsurer to guarantee the calculated cash flow amount. One would have been motivated to do this to ensure that the method overcomes the longstanding problems associated with managing unpredictable inflows of funds for an organization (Ross: col. 2, lines 1-5) and to minimize the credit risk posed by the insured to the lending institution.

As per claims 16-29, Ross and Holmwood teach the system and method recited in these claims as explained above. Ross does not specifically teach the system and/or method as applied to a charitable foundation, but does disclose that the method/system is best for a variety of small corporations, associations or other organized groups. (col. 3, lines 40-43) At the time of the applicant's invention it would have been obvious to one of ordinary skill in the art to include charitable organizations among the types of organized groups that could use the disclosed method. One would have been motivated to do this to provide a stable stream of income to such organizations.

Conclusion

8. The prior art made of record and not relied upon is considered pertinent to applicant's disclosure.

- Masuda (JP 08153138) teaches a system and method for generating insurance contracts.
- Burke (2001/0011223) teaches a system and method including a third party lender, an insurer and first party (i.e. company), for providing employee compensation to

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Rachel L. Porter whose telephone number is 703-305-0108. The examiner can normally be reached on M-F, 9:30-6:00.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Joseph Thomas can be reached on (703)305-9588. The fax phone number for the organization where this application or proceeding is assigned is (703) 872-9306.

Any inquiry of a general nature or relating to the status of this application or proceeding should be directed to the receptionist whose telephone number is (703)308-1113.

RP

Alexander K. Kowalski
ALEXANDER KOWALSKI
Art 3626
PRIMARY EXAMINER